



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 3/10/2003

GAIN Report #BU3005

Bulgaria

Tree Nuts

Market Update

2003

Approved by:

Holly Higgins

U.S. Embassy, Sofia

Prepared by:

Regional FAS Staff

Report Highlights:

The Bulgarian tree nuts market has grown from practically non-existent prior to 1997 to a value of \$8 million or 15,000 MT in 2001/2002 due to the dynamic development of the food service and retail sectors. Total U.S. tree nut exports to Bulgaria in 2002 exceeded \$1.1 million, mainly in California raw almonds. Prospects for further growth in 2003 are good, but closely related to disposable consumer income.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia[BU1]BU

Executive Summary	Page 1 of 10
Supply	Page 1 of 10
Demand	Page 2 of 10
Trade	Page 3 of 10
U.S. Exports	Page 5 of 10
Trade regime	Page 5 of 10
Table #1. Tree Nuts Imports in Bulgaria in MT in 2001 and 2002	Page 6 of 10
Table #2. Import Duties on Tree Nuts in 2002	Page 8 of 10
.....	Page 8 of 10
Table #3. Almonds Supply and Demand Balance, 1998-2000, in MT .	Page 8 of 10
Table #4. Walnuts Supply and Demand Balance, 1998-2000, in MT .	Page 10 of 10

Executive Summary

The tree nut market in Bulgaria was practically not existent prior to 1995. Local production was limited and mainly for on-farm use. With the development of the retail sector (mainly the supermarket trade) and the food service sector/tourism, post 1995-1997, the tree nuts market developed to meet increasing and sophisticated consumer demand for quality and diversity. Gradually, but steadily, increasing consumer income allowed for higher nuts consumption. The potential of this market is very good and dynamic growth is expected in the next 3 to 5 years.

Supply

Domestically grown tree nuts include peanuts, walnuts and almonds. Hazelnuts, prunes and raisins are also locally produced, but at non-commercial operations. Due to the difficult agricultural sector transformation in 1990s, Bulgarian peanut and walnut production declined and almost no new investment has been made in the last 10 years. Local production figures are not indicative of the market supply since only a portion of total production is destined for commercial sales and the majority is for on-farm consumption.

Tree nut orchards, in general, are old and the varieties are not suitable for industrial production. They are slowly dying away, as they lack professional care. Prospects are bleak for any significant revitalization in this production.

Tree nuts and dried fruit trade in Bulgaria include the following nuts and dried fruit:
peanuts, walnuts, almonds, pistachios, hazelnuts, cashew, raisins, prunes, dates.

Peanuts

Commercial production is **about 5 percent of** total consumption. It is limited to a special selected Bulgarian variety that is of medium-large size with red skin with intense flavor. Recent trends in production show a potential for larger planted areas. In 2002, due to the heavy rainfall, domestic production increased and reached 10 percent of the overall consumption.

Almonds

Local production is quite small. Production for the period 1998-2000 was between 300 MT and 500 MT per year from 1,300 HA to 2,000 HA. There are 4 local varieties. Reportedly, some new plantations, about 500 HA were made over the last 3 years. According to the Bulgarian Ministry of Agriculture, local production almost meets consumption. However, according to trade sources, locally produced almonds are only a small portion of total consumption.

Walnuts

Almost 100 percent of all walnuts available on the domestic market are grown and processed locally.

In the period 1994-1997, walnut area varied between 980 HA and 1,300 HA with production between 7,300 MT to 13,000 MT. After 1997, production declined to 6,000 MT-8,000 MT per year. The latest official production number available is for CY2000: 6,100 MT from 6,400 HA. There are six local varieties of which one, "Izvor 10", accounts for 60-70 percent in production. The remaining three local varieties account for 30-40 percent of production. About 80 percent of the Bulgarian walnuts are exported, between 4,000 MT and 5,000 MT. Prices of walnuts increased sharply since 1999 due to higher demand. In addition, the difference between the ex-farm price and retail price remained high due to the lack of appropriate marketing infrastructure. For example, ex-farm prices in 2000 were \$0.40/kilo, wholesale prices were \$0.65/kilo, while retail prices were \$2.0-\$3.0/kilo. During November and December (post harvest time), local supply is plenty, but falls during the marketing year.

Hazelnuts

There is no commercial local production of hazelnuts. There is one wild variety which is not used for further processing or marketing.

Prunes

The typical Bulgarian prune is an older, large blue plum variety, which has gone out of production in most European and U.S. orchards. Local production satisfies local demand, with most of it going for exports to Scandinavian countries (Norway, Sweden) for processing use.

There is no domestic production of pistachios, dates, raisins and cashew.

Demand

The local tree nut market has the following features:

- **Income/price driven demand:** The Bulgarian tree nuts market is an income or price-driven market. Nuts are still a relatively expensive item for the steadily growing, yet still low purchasing power of the average Bulgarian consumer. For example, peanuts are the highest selling nut because of their inexpensive price. In 2002, due to relative income stagnation in the country, traders reported a drop in sales from about 10 percent for more expensive nuts and a positive growth in sales for less expensive nuts.
- **Segmentation for industrial use and for snack consumption:** The local market is split between nuts used for ingredients in baking and confectionary or industrial use; and direct consumption as snacks. There is no differentiated date about these two market segments. According to trade sources, industrial use of tree nuts accounts for about 25 percent of total consumption. Nuts for industrial use are about 90 percent peanuts. The remaining quantities are almonds and hazelnuts. There is a trend over the last 5 years for a gradual increase in industrial use of tree nuts. Major users or processors are local confectionary manufacturers

such as "Nestle" and "Kraft Suchard" along with a number of Bulgarian medium size facilities which produce confectionary, snack chocolate, waffles, etc.

- **Seasonality in direct consumption:** Tree nut sales are unevenly distributed during the year. Usually, sales are the strongest during the Christmas and New Year's holiday season. In general, sales are higher in the winter and lower in the summer. This drop is significant after Easter and after high-school graduations. According to traders, the winter season runs October until April. Winter season consumption is 70 percent, and summer consumption is around 30 percent of total annual consumption.
- **Packaging and diversity of nuts for direct consumption:** Most nuts for retail sales are offered in packs of 100 grams but can go up to 200 and 250 grams. Wholesale buyers prefer 500 grams to one kilo packs. Retail segments consist mainly of groceries and supermarkets, but still a significant portion belongs to street kiosks or sidewalk sales where vendors sell a variety of nuts in bulk. Currently, the market does not feature any high-end nut products (i.e. gift packs, corporate gifts, etc). However, over the last 3-4 years there has been a steady development of a high-income middle class with a permanent demand for high-end products. This particular market segment has not yet been explored.
- **Distribution channels:** Prior to opening of the large hypermarket chains and wholesale outlets such as Metro, Billa, Fantastico, etc., (1997), most of nuts moved directly from packers to small retail outlets. Currently, the large retail chains and superstores have about 20-30 percent of domestic end-user sales. The remaining 70 percent of sales are made via smaller retail outlets, such as groceries, gas stations, convenience stores, kiosks etc.
- **Current consumer preferences and market segment by type of nuts:** The Bulgarian consumer market for all types of nuts covered in this report is estimated at **15,000 MT** (FAS office estimate). The respective markets are segmented as follows:

Peanuts account for the greatest consumption and sales among all nuts. It is estimated that 80 percent of all marketed peanuts are for direct consumption. Total average annual consumption is estimated **at 9,000 MT.**

Almond consumption has recently increased. It is especially high during December when supply is sometimes even short. Total average annual consumption is estimated **at 900 MT.** According to the MinAg, domestic consumption is between 530 MT and 550 MT - see the latest official supply and demand balance in Table #3.

Walnut consumption is estimated at 2,000 MT to 2,300 MT per year (see Table#4). Similar to the majority of other nuts, consumption has increased over the last 3 years. Official statistical sources indicate annual consumption per capita of 0.250 grams or 2,000 MT for the entire country.

Hazelnut consumption is for snack foods. About one third of all consumption is used in confectionery. Total average annual consumption is estimated **at 360 MT**.

Prune consumption is low and concentrated around Christmas with an average annual **level of 100 MT**.

Pistachio consumption registered a drop several years ago when imports of low-quality, cheap pistachios (reportedly from Iran) flooded the market. This product put off most regular users. Recently, pistachios are slowly gaining popularity with improved quality of the imported product. Total average annual consumption is estimated **at 120 MT**.

Raisin demand is for predominantly golden type(sultanas), used mainly in baking. Small shops/groceries are responsible for only a small percentage of overall turnover of the commodity. Total average annual consumption is **estimated at 240 MT**.

Cashews were a popular nut 5-6 years ago when consumer demand increased in parallel with a highly preferred product at that time, fried peanuts in palm oil. Traders report that cashew consumption usually goes along with fluctuations in demand of fried peanuts as a product leader. Total average annual consumption of cashews in Bulgaria is **estimated at 600 MT**.

Dates consumption is estimated **at about 600 MT, the peak is around Christmas**.

Trade

- The Bulgarian nut market depends largely on imports with over 85 percent of all nuts being imported (according to trade sources). In 2001 and 2002, imports in tonnage were steady at 12,000 MT-13,000 MT valued at \$3.5 million (see Table #1). Due to "grey" import practices, it is estimated that actual imports, by value is higher, **about \$8.0 million**.
- Customs duties and tariffs on nuts are high for a commodity that is not locally produced and is not competitive. According to traders, if all levies and fees are paid legally, the end price of imported peanuts would rise by 70 percent compared to the price at the point of entry (which includes VAT of 20 percent). The combination of such a tariff policy and the low purchasing power of the population have forced importers to engage in "grey" import practices, which allow them to avoid or reduce import duties. For example, under-invoicing or falsely declaring certain nuts to be of a third-world country origin, results in lower tariffs on imports from such countries. These practices distort official customs data on the value of nut imports.

- Reportedly, there are some European traders, mostly from Holland, importing nuts to Bulgaria and re-exporting to Romania. This practice usually saves them about 14-15 percent in customs duties.
- According to trade sources, the import tariff for nuts with Sudanese origin is zero. For this reason, large quantities of Chinese or other origin nuts, mainly peanuts, arrive with documents issued by Sudanese companies or authorities; thus evading Bulgarian duties of up to 40 percent.
- About 60 percent of total imports are sold through wholesale bulk traders whose business is solely trading and not packing. The remaining 40 percent is imported by Bulgarian packers and processors themselves. Many middle-eastern traders are able to access credit lines at low interest rates from banks in their respective country of origin. Therefore, they can afford to buy and import large quantities of nuts, thus benefiting from lower prices and shipment costs given their economies of scale. This leaves most Bulgarian packers in a difficult financial situation where they are forced to accept some importers terms without having the flexibility to choose the quality or variety they might prefer otherwise.

Peanuts imports: About 4-5 years ago, peanuts were imported from India, China and Egypt. Currently, 80 percent of imports are from China. Chinese imports usually consist of 24-28 size nut. Often, Chinese peanuts are imported through Dutch intermediaries. These peanuts are imported in bulk and raw, on a shelled basis. The remaining 20 percent of imports are from Argentina (about 10 percent) and from other countries: 10 percent. In 2002, China accounted for 60 percent of total imports followed by Sudan, and then Gambia (see Table#1). Total 2002 peanut imports were lower than in 2001 due to higher local production.

Almonds imports: Imports started to increase after 1997 and in 2000 it reached 240-250 MT. Imports are coming primarily from the United States/California, about 80-90 percent, because of high quality and consistency. Other alternatives are Spain, about 15 percent, (but with declining production and high prices, according to local traders) and Greece, another 15 percent in total imports. Almonds are usually imported in bulk and raw, on shelled basis. In 2002, the United States accounted for 65 percent of all almonds in imports, followed by Greece and Italy. Total almond imports in 2002 were 535 MT or 70 percent higher compared to 2001 due to increased demand.

Hazelnut imports: Imports are mainly from Turkey (almost 90 percent). Italian and Spanish hazelnuts are reportedly too expensive for the Bulgarian market. A small share, up to 10 percent is coming from Georgia or other countries. In 2002, practically all imported hazelnuts were from Turkey. Imports in 2002 increased 29 percent compared to 2001 due to higher demand.

Prune imports: About 5 percent of prune consumption is imported, mostly for flavor and moisture content. There is potential for prune imports which are pitted and higher in moisture. For example,

U.S. origin prunes are produced at 25-30 percent moisture content, whereas Bulgarian prunes (of a different variety) are at 15 percent moisture content.

Pistachio imports: Major imports are from Iran, at about 90 percent. Other countries such as Turkey account for about 10 percent of the domestic market. In 2002, Iran accounted for 84 percent of all pistachio imports. Total 2002 imports were 7 percent higher over 2001.

Raisins imports: Raisins are imported from Turkey, Greece and Iran. Iranian raisins are reportedly inconsistent in quality. In 2002, imports declined significantly. Turkey and Greece were leading suppliers of raisins in 2002.

Cashews are imported mainly from India. **Coconut** imports increased in 2002 by 63 percent in tonnage and doubled in value. Major sources were Indonesia and Malaysia.

Walnut imports are small due to sufficient local production which meets demand and leaves quantities for exports. In 1999 and 2000, imports were only 17 MT and 20 MT. Imports sharply increased in 2002 to 392 MT (\$225,000). The major supplier of walnuts to Bulgaria is the Ukraine. According to trade sources, a significant portion of imports are under "temporary imports for further processing". Often walnuts are re-exported in processed form.

U.S. Exports

U.S. exports of tree nuts to Bulgaria registered significant growth in 2002. The first export shipment started in 1997 with only 22 MT (\$11,000) to reach over one million dollars, \$1.116, for about 350 MT in 2002 (according to U.S. Customs data). This made tree nuts among the top five commodities imported from the U.S. to Bulgaria in 2002. The major item exported from the U.S. are Californian almonds. According to local importers, they are usually imported in bulk and raw. Further processing takes place in local packers' facilities. Often, the U.S. origin nuts imported to Bulgaria are distributed to other countries in the region in a processed form for retail sale: these re-exports are destined for Macedonia, Kosovo, Albania and sometimes for Romania.

Trade regime

See Table #2 for customs duties on imports.

EU preferences:

All EU origin exports to Bulgaria are granted duty free entry for nuts in Chapter 8 and Chapter 12 including products described in this report.

CEFTA preferences:

Bulgaria can import (duty free) from CEFTA countries for HS# 0801, 0802, 0804, 080620, and 1202.

Bilateral agreement with Turkey:

Turkey can export unlimited quantities under HS#0802 21 and HS#0802 22 at 20 percent duty.

Bilateral agreements with Estonia and Macedonia: no preferences

Bilateral agreement with Israel: Israel can export to Bulgaria unlimited quantities of dates under HS#0804 10 00 0, duty free.

Bilateral agreement with Croatia: Croatia can export duty free to Bulgaria under HS#0801, 0802, 0804, 0805, 0806 20, and 1202.

Table #1. Tree Nuts Imports in Bulgaria in MT in 2001 and 2002

Tree Nuts Imports in Bulgaria in MT in 2001 and 2002		
Product, HS#	2001	2002 (January-November)
Peanuts, HS#1202		
China	2564	3718
Sudan	2296	1434
Gambia	2977	628
Laos	0	362
Greece	647	0
Total	8,726/\$2.0 million	6,232/\$1.7 million
Raisins, HS#0806		
Turkey	215	297
Greece	856	288
Iran	227	158
Macedonia	166	34
U.S.	8	7
Total	1,532/\$0.337 million	841/\$0.192 million
Almonds, HS#0802 11 900		
Greece	0	23
U.S.	0	9
Total	0	32/\$0.016 million
Almonds, HS#0802 12 900		
U.S.	131	350
Greece	61	119
Italy	20	48

Total	316/\$0.271 million	535/\$0.385 million
Hazelnuts, HS#0802 22 000		
Turkey	185	230
Georgia	0	15
Total	190/\$0.333 million	245/\$0.243 million
Walnuts, HS#0802 31 000		
Ukraine	35	331
Greece	0	37
Total	70/\$0.045 million	392/\$0.192 million
Walnuts, HS#0802 32 000		
Ukraine	16	40
Total	17/\$0.036 million	59/\$0.125 million
Pistachios, HS#0802 50 000		
Iran	30	84
Arab Emirates	2	7
Turkey	32	0
Total	92/\$0.040 million	100/\$0.100 million
Other nuts, HS#0802 90 850		
Turkey	500	7
China	0	1
Total	500/\$0.050 million	8/\$0.002 million
Coconuts, HS#0801		
Indonesia	8	206
Malaysia	40	130
Sri Lanka	182	83

India	18	58
Total	314/\$0.191 million	512/\$0.372 million
Dates, HS#0804		
Iran	215	130
Turkey	150	97
Greece	77	32
Tunisia	7	15
Total	529/\$0.138 million	327/\$0.108 million
Total all nuts	12,286/\$3.5 million	9,283/\$3.4 million

Table #2. Import Duties on Tree Nuts in 2002

Import Duties on Tree Nuts in 2002	
Product, HS#	Duty in percent
Almonds, HS# 080212900	20
Hazelnuts, HS# 080222000	30
Pistachios, HS# 080250000	27
Peanuts, HS# 120220000	40
Cashew, HS# 080132000	15
Raisins /natural/, HS# 080620910	10
Raisins /golden, sultanas/, HS# 080620920	10
Dates, HS# 080410000	10

Table #3. Almonds Supply and Demand Balance, 1998-2000, in MT

	1998	1999	2000
Production	476	334	300
Area, HA	2000	1620	1300
Imports	68	195	250
incl. without shells	68	192	245
Total Supply	544	529	550
Demand			
Exports	67	18	22
incl. without shells	39	12	18
Direct Consumption and Industrial Use	474	508	525
Loss	3	3	3
Total Demand	544	529	550
Source: MinAg, June 2000 Marketing Bulletin			

Table #4. Walnuts Supply and Demand Balance, 1998-2000, in MT

	1998	1999	2000
Production	5700	7100	6100
Area, HA	7310	7500	6400
Imports	15	17	20
Total Supply	5715	7117	6120
Demand			
Exports	4800	4800	4000
Direct Consumption and Industrial Use	817	2017	1920
Loss	100	300	200
Total Demand	5715	7117	6120
Source: MinAg, June 2001, Marketing Bulletin			